

## **MINUTES**

### **MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON EDUCATION AND CULTURAL RESOURCES**

**Call to Order:** By **CHAIRMAN DON RYAN**, on March 14, 2005 at 3:25 P.M., in Room 102 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Don Ryan, Chairman (D)  
Sen. Gregory D. Barkus (R)  
Sen. Jerry W. Black (R)  
Sen. Kim Gillan (D)  
Sen. Bob Hawks (D)  
Sen. Sam Kitzenberg (R)  
Sen. Jesse Laslovich (D)  
Sen. Jeff Mangan (D)  
Sen. Dan McGee (R)  
Sen. Bob Story Jr. (R)

**Members Excused:** Sen. Jim Elliott (D)

**Members Absent:** None.

**Staff Present:** Connie Erickson, Legislative Branch  
Lois O'Connor, Committee Secretary

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HB 681, 3/14/2005; HB 624,  
3/14/2005  
Executive Action: None.

**HEARING ON HB 681****Opening Statement by Sponsor:**

**REP. HOLLY RASER (D), HD 98**, said that HB 681 was requested on behalf of the K-12 School Renewal Commission. She provided a synopsis of the Commission's work on revising the laws on school district consolidation and annexation.

**EXHIBIT (eds56a01)**

**REP. RASER** said that one of the issues raised by the Commission was the topic of school consolidation and whether consolidation would save money and improve the quality of education. The Commission found that there were many cases where districts wanted to consolidate, for either economic or educational reasons, but had significant problems in doing so. A School Renewal working group decided to focus on statutory variables to voluntary consolidation. HB 681 would not force consolidation, simply make it easier for school districts that do wish to consolidate.

**{Tape: 1; Side: A; Time Counter: 4.1}**

**Proponents' Testimony:**

**Joan Anderson, Office of Public Instruction (OPI)**, said that HB 681 simplifies the descriptions of the processes of law and will help school districts that are trying to annex or consolidate to follow the process more easily. It does not force consolidation.

**Ms. Anderson** said that annexation happens when one district closes and attaches to a neighboring district, becoming part of that enlarged district. Consolidation happens when two districts close and are replaced with one new single district with a new board of trustees. She provided an overview of HB 681 and the consolidation or annexation process provided for in the bill.

**EXHIBIT (eds56a02)**

**{Tape: 1; Side: A; Time Counter: 18.1}**

**Dave Puyear, MT Rural Education Association (MREA)**, asked that the Committee not underestimate the power of HB 681. Two sessions ago, MREA brought before the Legislature a bill to extend the basic entitlements. It was greatly discounted and people said that it would have little or no effect on consolidation. Today, there are consolidations on the Hi-Line, north central Montana, and eastern Montana. HB 681 is the same way and will have a great

deal of effect on schools as they look at consolidation, and it will be very powerful. If HB 681 is passed, the process it puts into law makes sense.

**Darrell Rud, School Administrators of Montana (SAM)**, commended the open-minded educators, citizens, and legislators for looking at the serious issues, resolving not to make it a forced issue, and coming together to provide good language that will enhance opportunities for children. He urged the Committee's support of HB 681.

**Eric Feaver, MEA-MFT**, spoke in support of HB 681.

**Marsha Davis, Lewis and Clark County Superintendent of Schools**, believed that HB 681 had the support of all county superintendents because they were represented on the K-12 School Renewal Commission. She said that the Craig school district is sitting 50 miles north of Helena and 5 miles from the Cascade County line. Craig's enrollment dropped, it has 2 students this year, and it will have to close the school next year. When she met with the Board, consolidation with the Wolf Creek School was an option. Because of the convoluted process, there was not enough time to consolidate by the May election. Annexation for the Craig School District consists of annexing to the Helena School District and annexing to the Augusta School District. Augusta is 40 miles away, Helena is 50 miles, and the Cascade School District is 20 miles away. Craig has traditionally sent their 7th and 8th graders and their high school students to Cascade. Craig's preference would be to annex to Cascade, but current law does not allow it. HB 681 would expand the option available to the Craig School District and many others that may be in the same situation.

**Debra Silk, MT School Boards Association (MTSBA)**, provided written comments in support of HB 681.

**EXHIBIT** (eds56a03)

**Opponents' Testimony:** None.

**Informational Testimony:** None.

*{Tape: 1; Side: A; Time Counter: 25.3}*

**Questions from Committee Members and Responses:**

**SEN. JERRY BLACK, SD 14**, said that Dutton recently consolidated with Brady and the consolidation crossed county lines. He asked how HB 681 would facilitate that process. **Ms. Anderson** said that

the process in law is so convoluted that it has been difficult for districts to figure out what they can and cannot legally do. The law may not have been black and white enough for the two districts to decide whether to restrict or follow the law. Dutton and Brady may have done what they thought was in the best interest of their communities.

**SEN. KIM GILLAN, SD 24**, asked if HB 574 (**REP. BRANAE'S** bill--authorizing the board of trustees of a school district to issue bonds upon approval of a bond proposition by a majority vote of the electorate) passes, how would HB 681 affect that. **Connie Erickson, Legislative Services Division (LSD)**, said that since HB 681 is all new language, there will have to be a coordination instruction between the two bills.

*{Tape: 1; Side: B; Time Counter: 1.9}*

**SEN. GILLAN** inquired when two districts have bonded indebtedness and if they consolidate or annex, how do the taxpayers in the new district assume the financial responsibilities of the two separate districts. **Ms. Anderson** said that when two districts want to consolidate, both districts must have either a petition from the voters in each area or a resolution by the trustees of the districts. The petitions or resolutions must include the intention that they want to assume the other's indebtedness or not. It only deals with indebtedness that is created by bond issues.

**SEN. GREGORY BARKUS, SD 4**, asked if HB 618 would allow for one district to consolidate with another district that cannot accept the fact that it is floundering. **Ms. Anderson** said that HB 681 would not effect that type of situation. It is aimed at districts that choose to consolidate or annex.

*{Tape: 1; Side: B; Time Counter: 5.1}*

**SEN. ROBERT STORY, SD 30**, asked when two districts consolidate or one district annexes to another district, what happens to their reserves. **Ms. Anderson** said that under consolidation for example, general fund from one district combines with the general fund from the other. Whatever money they have at the end of the year as they go into the consolidation is their fund balance to either reserve or reappropriate. Under annexation, there are no stipulations on how the enlarged district is to take on those funds. It gives the districts flexibility to use the funds for the enlarging district to deal with the transitional issues of being a bigger district. **SEN. STORY** asked if one district has a 7-member board and the other has a 3-member board, what happens to balance the new board. **Ms. Silk** said that under a

consolidation, that process would never happen because consolidations usually have the same number of trustees on each board. Under certain provisions, in order to allow consolidations, districts must be similarly sized. However, that situation could happen under annexation.

**SEN. BOB HAWKS, SD 33**, asked if bonded indebtedness was a negotiated process under annexation. **Ms. Anderson** said that it is negotiable to a certain extent. However, if one district initiates the annexation or consolidation with the taxpayers during the petition, it might make some difference in the process. There is more negotiation possibility between two school boards. **SEN. HAWKS** asked if the problem would be taken care of during the petition process. **Ms. Anderson** said yes, if one or both districts initiate this process through a petition of the people, the people, in filing a petition, would have to be signing a petition that already said, "We want this done under an assumption of indebtedness".

*{Tape: 1; Side: B; Time Counter: 12.6}*

Referring to **SEN. STORY'S** concern about the potential imbalance of power on the interim board of trustees, **SEN. JEFF MANGAN, SD 12**, asked if the language could simply say that the interim board of trustees will be made up of an equal number of members from the board of trustees that are consolidating. **Lance Melton, MTSBA**, said that the underlying principle of having both boards serving in their entirety during the joint term was to ensure that both districts were represented. This could be accomplished by paring down one of the boards, identifying a process for who goes, or requiring a majority vote on both of the boards during the interim for action taken. **SEN. MANGAN** asked if it were a good idea to change the language. **Mr. Melton** said that changing it would maintain consistency with the underlying principle to keep both boards on equal footing during the transitional time.

**SEN. STORY** said that he was struggling with the difference between consolidation and annexation and surprised that HB 681 assumes that only similar-size districts would consolidate. **SEN. RYAN** said that the School Renewal Commission Working Group worked very hard on this issue, and he believed that HB 681 was a valiant effort.

*{Tape: 1; Side: B; Time Counter: 19.3}*

**SEN. STORY** asked if HB 681 included all the possible conditions for annexation and could an elementary district be annexed to a K-12 district. **Ms. Anderson** said that one district can only attach to a similar level district--elementary to elementary, for

example. Even if the same community had a high school with a joint board, the elementary district has its own set of taxpayers, its own legal budget, its own tax levies, and would be considered a K-12 district. The legal requirement is that if there is a K-12 district, the elementary and the high school borders must be even so that the taxpayers are the same for both levels and can be combined into one tax jurisdiction.

Referring to the annexation of the Craig School District, **SEN. STORY** asked if it received representation on the new board of trustees. **Mr. Melton** said that present law strictly defines that it is annexation when its smaller districts versus larger districts and consolidation when it is more similar sized districts. If a district is a K-12 district it has representation by having a chance to run for the next election or a by single-member trustee.

**{Tape: 1; Side: B; Time Counter: 28.5}**

**Closing by Sponsor:**

**REP. RASER** said that HB 681 is the result of many hours of work through the K-12 School Renewal Commission Working Group. She said that although HB 681 may not solve all of the complicated problems related to annexation and consolidation, it simplifies and clarifies a complex and complicated issue. She urged the Committee's support of HB 681.

**HEARING ON HB 624**

**{Tape: 1; Side: B; Time Counter: 30.2}**

**{Tape: 2; Side: A; Time Counter: 0.2}**

**Opening Statement by Sponsor:**

**REP. DAN VILLA (D), HD 86**, said that there are 63 school districts that would benefit from the passage of HB 624 because it holds these districts harmless for disequalized budget statuses under the current formula.

**{Tape: 2; Side: A; Time Counter: 0.5}**

**Proponents' Testimony:**

**Lance Melton, MT School Boards Association (MTSBA)**, provided written comments in support of HB 624 without amendments.

**EXHIBIT**(eds56a04)

**{Tape: 2; Side: A; Time Counter: 8.3}**

**Dave Puyear, MT Rural Education Association (MREA)**, said that HB 624 was an excellent bridge to a new funding formula. He highlighted local voter commitment to the process.

**Darrell Rud, School Administrators of MT (SAM)** and **Eric Feaver, MEA-MFT** spoke in support of HB 624.

**Opponents' Testimony:** None.

**Informational Testimony:** None.

**{Tape: 2; Side: A; Time Counter: 10.0}**

**Questions from Committee Members and Responses:**

**SEN. BLACK** said that the city of Conrad is up against the budget cap. He asked how HB 624 would affect Conrad. **Mr. Melton** said that Conrad is a soft-caps district that is temporarily over maximum with approval of their voters. If SB 177 passes, there is enough money in it to reequalize the Conrad School District. If SB 177 does not pass, HB 624 would benefit a greater pool of school districts, including Conrad.

**SEN. MCGEE** said that HB 624 would enable these schools, such as Conrad, to go to its voters and be entitled to use an over-maximum budget even though it has more than a 50% loss in students. He asked if there was a point where schools must face the fact that they are going to have to cut back. **Mr. Melton** said yes, and an over-maximum district is defined by the set dollar amount that it is over-maximum. For example, Medicine Lake has lost 50% of its population and it has no ability to do anything but cut and slash.

**SEN. BARKUS** said that in districts that have severely declining enrollment, the costs are unknown. He asked if HB 624 was just a 2-year band-aid. **Mr. Melton** said yes, but it was an important band-aid with the Legislature currently trying to determine what an appropriate amount of money is to fund school districts. HB 624 was not meant to be a permanent fix but a bridge to the Legislature's work.

**{Tape: 2; Side: A; Time Counter: 20.7 }**

**SEN. STORY** said that the language of HB 624 states that schools can adopt the greater of their maximum general fund budget or the highest actual budget adopted between fiscal year 2001 and fiscal year 2005. He asked why the number could not be somewhere between

the two choices. **Mr. Melton** said that the language is built upon existing law, and it attempts to stay consistent. **SEN. STORY** asked if there was ever a circumstance where a school district succeeded in passing a levy that was smaller than its 2002 budget, for example, to stay above maximum. Now, their only choice is to revert to its 2001 budget when people have voted for something less than that in subsequent years. **Mr. Melton** said that the option those districts have is that they can reappropriate the difference if they find that they are stepping down. If districts have already embarked on a step down in their budgets, he felt it unlikely that they would revert back.

*{Tape: 2; Side: A; Time Counter: 25.5}*

**SEN. BLACK** said that many schools with declining enrollments are doing a very good job and doing very well. He asked why they could not be used as successful models. **Mr. Melton** said that they would be a part of the Legislature's assessment of educational needs and should be used as successful models.

*{Tape: 2; Side: A; Time Counter: 28.8}*

**Closing by Sponsor:**

**REP. VILLA** said that HB 624 was important legislation for 63 school districts in Montana, and it provides a bridge for those districts until a final school funding remedy is found.



**ADJOURNMENT**

Adjournment: 4:45 P.M.

---

SEN. DON RYAN, Chairman

---

LOIS O'CONNOR, Secretary

DR/lo

Additional Exhibits:

**EXHIBIT ([eds56aad0.PDF](#))**